



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 11

MEETING	Finance and Audit Committee
DATE OF MEETING	21 September 2016
SUBJECT OF THE REPORT	1st Quarter Financial Report
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information and decision
EXECUTIVE SUMMARY	<p>This report provides an analysis of the financial position for the 1<sup>st</sup> quarter of the 2016/17 financial year, reflecting spending to 30 June 2016.</p> <p>Section 2 of the report deals with the revenue budget which highlights a potential underspend of £2.49m, principally arising from savings on employee costs. These are mainly one off savings reflecting the significant organisational change that has been taking place, including difficulties with recruitment against corporate vacancies. £1m had been included in the 2016/17 budget to meet the costs of redundancies, but most of the costs incurred so far have had to be accrued back to 2015/16. This ensures correct accounting treatment, which reflects the timing of decisions, rather than the timing of payments to staff.</p> <p>Section 4 updates Members on the capital programme, with an updated total programme cost of £10.505m indicated, with forecast spending for the year at £5.6m.</p> <p>The Policy and Resources Committee met on 14 September 2016 to consider the strategic financial picture moving forward, including the impact of the forecast revenue budget saving shown in this report.</p>
RISK ASSESSMENT	None
COMMUNITY IMPACT ASSESSMENT	None undertaken as a result of this report
BUDGET IMPLICATIONS	None

RECOMMENDATIONS	1. It is recommended that Members note and comment upon the current financial position.
BACKGROUND PAPERS	Medium Term Finance Plan 2016-20
APPENDICES	A: Revenue Budget Summary 2016/17 B: Capital Budget Summary 2016/17
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## 1. Introduction

- 1.1 This report provides an update of the revenue and capital budget positions for the 2016/17 financial year and includes all known actual and committed costs to 30 June 2016. The net revenue budget was set in February 2016 at £54.816m and the approved capital programme totalled £8.75m.
- 1.2 Appendices A and B follow the budget monitoring format used previously for the Finance Review and Audit Committee of Wiltshire and Swindon Fire Authority. Variations have been “traffic lighted” to highlight the major variances, with those in excess of £20,000 (under or overspending) shown in pink, those between £10,000 and £20,000 in yellow and those below £10,000 in green.

## 2. Major Variations From Revenue Budget

### 2.1 Employee Costs

- 2.1.1 Note 1: The Wholetime Staff pay budget shows projected savings totalling £255k. This takes account of a pay award saving estimated at £153k, current vacancy levels, additional overtime costs and the employment of 20 new firefighter recruits during the year. Wholetime staffing resources are still being managed to ensure that we meet the financial savings as outlined in the Combination business case, and included in the medium term finance plan of the new Service.
- 2.1.2 Note 2: £500k is projected to be saved on retained duty system salary costs. This is based on actual costs to date and projected costs based on 2015 spend profiles. We continue to pursue the recruitment and retention of RDS staff across the whole of the Service, but there is still a significant shortfall against the establishment numbers. Through the IRMP process we are exploring options for more sustainable RDS working systems, including a number of different options for salary schemes, rather than the traditional pay- as-you-go pay model.
- 2.1.3 Note 3: The Fire Control pay budget shows a projected overspend of £152k. At the end of June there were 35.16 FTE staff working in Service Control, compared to the budget FTE of 32. Additional overtime costs have also been incurred as a result of transition arrangements and over-crewing whilst the system instability issues are being addressed, at an additional forecast cost of £40k compared to the budget.
- 2.1.4 Note 4: The Corporate Staff pay budget shows a projected underspending of £498k. The projection takes into account the current level of vacancies (33.5 FTE at end of June) in the Service and any temporary cover arrangements. Members will be aware that there has been significant change to corporate staffing structures and it is taking much longer than originally expected to fill vacant posts, particularly as many advertised posts have been filled in-house in the first instance, resulting in further vacancies to be advertised. This is a unique situation resulting in a one-off underspending this financial year.

2.1.5 Note 5: Other Employee Costs includes a budget of £1.311m for ill-health and injury pension costs, this budget is on track to spend as expected. This line also includes the £1.0m provision allowed to meet the costs of employment termination costs associated with the Combination. The value of costs agreed to date totals £897k, but due to timing of decisions, £691k in total has been charged against the 2015/16 accounts of Dorset and Wiltshire as separate authorities. That leaves only £204k counting against the 2016/17 budget at the present time. The report reflects a projected underspend of £759k.

## 2.2 Premises

2.2.1 Note 6: The Area Offices situated at the Joint Emergency Services Building in Poole have recently been vacated by fire staff, with the staff transferring to new, rented offices elsewhere in Poole. This follows an agreement with Dorset Police which allows them full use of the JESB building. The annual saving arising from this is estimated at £157k, with a net saving of £118k forecast for 2016/17.

2.2.2 In addition, a review of business rates valuations across the Wiltshire area properties has resulted in a saving of £20k this year. A similar review will be carried out on Dorset area properties.

## 2.3 Transport

2.3.1 Note 7: Based on current spending levels we expect to save at least £100k during the year on the costs of diesel fuel for Service vehicles and a further £50k on the costs of travel allowance payments for staff.

## 2.4 Supplies and Services

2.4.1 Note 8: The budget includes £263k for the purchase of new smoke detectors and associated equipment. We only expect to spend up to £200k of this budget during the year.

## 2.5 Agency and Contracted-Out Services

2.5.1 Note 9: We expect to save £22k during the year on the costs of internal and external audit. This is in addition to the £30k saving already taken through the Combination savings programme.

## 2.6 Capital Financing and Leasing Costs

2.6.1 Note 10: The budget includes £3.12m associated with capital finance and treasury management costs. Actual costs are projected to total £3.079m, with £41k saved against the cost of long term borrowing. At this point in time we do not anticipate undertaking any new long-term borrowing in 2016/17, as we retain sufficient cash balances to manage our capital expenditure requirements.

## 2.7 Income

- 2.7.1 Note 11: The budget includes £2.137m in respect of government grants covering PFI credits, Firelink and New Dimensions. When the final Local Government Finance Settlement was published we were notified of additional grant payments of £49k for Rural Services support and £167k for Transition funding relating to the new RSG arrangements. We also expect to receive £39k and £210k respectively for these grants in 2017/18. The Transition grant funding is only available for the first two years of the four year settlement period, and is to provide additional support to those authorities receiving the steepest cuts in government funding.

## 3. Reserves and Balances

- 3.1.1 Appendix A (second table – lower half) shows the anticipated position regarding reserves and balances as at March 2017.
- 3.1.2 General balances stand at £6.701m as at 1 April 2016, with £254k expected usage in 2016/17 in setting the revenue budget. The outturn estimate is currently projected at an underspend of £2.49m, taking general balances to an estimated £8.936m at the end of March 2017.
- 3.1.3 Earmarked reserves stand at £12.32m as at 1 April 2016 (excluding grant monies held) and £707k is currently estimated to be used in 2016/17.
- 3.1.4 The Policy and Resources Committee will be considering a paper on Finance Principles at their meeting on 14 September 2016. The paper includes a wider discussion on reserves and balances, and how they are best used over the medium term to support projected revenue budget shortfalls and the future investment needs of the Service.

## 4. Capital Programme

- 4.1 The original capital programme for 2016/17 totalled £8.75m. This includes £3.257m within the Property/Estates budget to fund works for the new safety centre and £470k in the IT and Communications budget to complete the required ICT infrastructure works for the new Service. (Appendix B)
- 4.2 Projects totalling £1.775m were carried forward from 2015/16 (£1.1m Dorset FRS and £0.665m Wiltshire FRS) and these were approved by the Finance and Audit Committee in July 2016. The revised capital programme for 2016/17 therefore totals £10.505m, as shown below.

<b>Capital budget summary</b>	<b>Original Budget £'000s</b>	<b>Carry Forwards £'000s</b>	<b>Revised Budget £'000s</b>
IT and Communications	856	156	1,012
Operational Equipment & Other Equipment	164	0	164

Vehicles	3,611	1,224	4,835
Property/Estates	4,119	375	4,494
<b>TOTAL</b>	<b>8,750</b>	<b>1,755</b>	<b>10,505</b>

4.3 Taking into account the anticipated slippage detailed in the following paragraphs the capital outturn costs for the year are currently forecast at £5.6m.

#### 4.4 IT and Communications

4.4.1 Within the £1.012m revised budget for ICT, £602k relates to the Strategic Hub/Safety Centre and ICT infrastructure harmonisation. Within this sum £275k is already earmarked for ICT harmonisation costs this year and £168k remains from funding allocated for the development of the new Services information management systems and website. The provisional sum allocated for the Safety Centre was £50k (note 3), and although this is subject to the final design requirements, it will not be spent this year.

4.4.2 The remaining £410k allocated for ICT is for a number of replacement programme requirements, including £90k for the replacement of breathing apparatus radios. This project has been put on hold and will be reviewed again for 2017/18 9 (note 2).

#### 4.5 Vehicle Replacement Programme

4.5.1 The capital programme includes £1.2m for the procurement of two new aerial appliances. The Service is currently preparing the tender documentation for this procurement, but we do not expect the vehicles to arrive during this financial year (note 4).

4.5.2 £2.45m is included for the purchase of nine new fire appliances. Four of these appliances were in-built with Dorset during 2015/16 and £1.08m of the carry forward amount relates to these. We are expecting these vehicles to be delivered in 2016/17. The procurement process for the purchase of the five other appliances has recently been completed, with the contract awarded to John Dennis Coachbuilders. The expected cost of these appliances is £1.35m.

4.5.3 The remaining £144k of the carry forward amount covers the purchase of a new casualty care van and four 4x4 rural rescue unit. All of these vehicles are on order.

4.5.4 £290k is included in the budget for Off Road and Incident Command vehicles. The replacement of these vehicles has been deferred pending a review of special vehicle requirements (note 5/6). A saving of £35k has been taken as only one of two hydrant vans included in the capital programme needs replacing (note 7).

#### 4.6 Property/Estates

4.6.1 The original programme includes £3.257m to fund works for the new Safety Centre, £397k for minor capital works and £465k for major capital works, including £325k for

refurbishing Salisbury Fire Station. The carry forward amount includes £184k for the Safety Centre/Strategic Hub and £191k for other capital works.

- 4.6.2 As Members will be aware the major construction work on the Safety Centre is not scheduled to start until we have vacant possession of the hangar in spring 2017. The costs to be incurred this year will therefore be much lower than shown in the capital programme, mainly covering professional fees, consultancy costs and preliminary work. At the present time a provisional total of £200k has been allowed for Safety Centre and Strategic Hub costs, with the balance of the £3.441m revised budget carrying forward to 2017/18 (note 2).

## 5. Summary

- 5.1 The first financial year of operation for the new Service was always going to be difficult, with significant change to the organisation structure, new teams forming, new process and systems of work gradually being introduced and the bringing together of the two budgets of the previous Services.
- 5.2 The forecast underspend shown in this report is reflective of that. There are a number of one off savings, for example the saving on the corporate staff pay budget. There is a significant saving against the provision for redundancy costs, as most of the costs incurred have had to be charged against the 2015/16 budgets of the two former Services. Some new savings have already been found, such as the property savings highlighted in paragraph 2.2, which will help to reduce our forecast future budget gap.
- 5.3 Capital programme costs for this year will be much lower than originally programmed. This results mainly from the timescales required to deliver the vision of a new Safety Centre in Wiltshire, and slippage on a number of vehicle replacement projects, particularly the procurement of two new aerial appliances.

**DARRAN GUNTER**

Chief Fire Officer

21 September 2016